

8077

01117-2 11 9:16

**NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.**

Financial Report

Year Ended April 30, 2000

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 05/09/01

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of financial position	4-5
Statement of activities	6-7
Statement of cash flows	8
Notes to financial statements	9-15
SUPPLEMENTARY INFORMATION	
COMPLIANCE AND INTERNAL CONTROL	
Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	18-19
Summary schedule of current and prior year audit findings and corrective action plan	20-24
OTHER SUPPLEMENTARY INFORMATION	
Combining statement of financial position	26-27
Combining statement of activities	28-29

# KOLDER, CHAMPAGNE, SLAVEN & RAINEY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA\*  
Russell F. Champagne, CPA\*  
Victor R. Slaven, CPA\*  
Chris Rainey, CPA\*  
Conrad O. Chapman, CPA\*  
P. Troy Courville, CPA\*

P.O. Box 82329  
Lafayette, LA 70598

Phone (337) 232-4141  
Fax (337) 232-8660

WEB SITE:  
WWW.KSRCPAS.COM

Allen J. LaBry, CPA  
Penny Angelle Scruggins, CPA  
Mary T. Thibodeaux, CPA  
Gerald A. Thibodeaux, Jr., CPA  
Kelly M. Doucet, CPA  
Kenneth J. Rachal, CPA

\* A Professional Accounting Corporation

MEMBER OF:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Neighborhood Housing Services  
of Lafayette, Louisiana, Inc.  
Lafayette, Louisiana

We have audited the accompanying statement of financial position of Neighborhood Housing Services of Lafayette, Louisiana, Inc. (a nonprofit organization) as of April 30, 2000, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Housing Services of Lafayette, Louisiana, Inc. as of April 30, 2000, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 6, 2001, on our consideration of Neighborhood Housing Services of Lafayette, Louisiana, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

As discussed in Note (10) to the financial statements, Neighborhood Housing Services of Lafayette, Louisiana, Inc. has been unable to negotiate its grant agreement with the Lafayette Consolidated Government, has suffered recurring significant reductions in grant revenues, and has a net deficiency in net assets in its operating fund that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note (10). The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

234 Rue Beauregard  
Lafayette, LA 70508  
Phone (337) 232-4141  
Fax (337) 232-8660

113 East Bridge Street  
Breaux Bridge, LA 70517  
Phone (337) 332-4020  
Fax (337) 332-2867

133 East Waddil  
Marksville, LA 71351  
Phone (318) 253-9252  
Fax (318) 253-8681

1234 David Drive, Suite 105  
Morgan City, LA 70380  
Phone (985) 384-2020  
Fax (985) 384-3020

408 W. Cotton Street  
Ville Platte, LA 70586  
Phone (337) 363-2792  
Fax (337) 363-3049

332 W. Sixth Avenue  
Oberlin, LA 70655  
Phone (337) 639-4737  
Fax (337) 639-4568

200 South Main Street  
Abbeville, LA 70511  
Phone (337) 893-7944  
Fax (337) 893-7946

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Neighborhood Housing Services of Lafayette, Louisiana, Inc. taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Kolder, Champagne, Slaven & Rainey, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
March 6, 2001

## **FINANCIAL STATEMENTS**

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Statement of Financial Position  
April 30, 2000

ASSETS

Current assets:	
Prepaid expenses	\$ 2,108
Restricted:	
Cash	60,885
Loans receivable, net	192,571
Other assets	330
Land and improvements held for resale	8,440
Total restricted current assets	<u>262,226</u>
Total current assets	<u>264,334</u>
Noncurrent assets:	
Equipment, net of accumulated depreciation	7,812
Land	43,645
Total unrestricted noncurrent assets	<u>51,457</u>
Restricted:	
Loans receivable, net	877,267
Building, net of accumulated depreciation	15,974
Total restricted noncurrent assets	<u>893,241</u>
Total noncurrent assets	<u>944,698</u>
Total assets	<u><u>\$1,209,032</u></u>

## LIABILITIES AND NET ASSETS

### Current liabilities:

Accounts payable	\$ 12,225
Other liabilities	<u>4</u>
Total payable from unrestricted assets	<u>12,229</u>

### Payable from restricted assets:

Cash overdraft	2,889
Tax and insurance payable	763
Loan collections due to others	3,825
Undisbursed loan proceeds	37,164
Other liabilities	<u>1,542</u>
Total payable from restricted assets	<u>46,183</u>
Total current liabilities	<u>58,412</u>

### Long-term liabilities (payable from unrestricted assets):

Notes payable	<u>39,545</u>
Total liabilities	<u>97,957</u>

### Net assets:

Restricted	<u>1,111,075</u>
Total net assets	<u>1,111,075</u>
Total liabilities and net assets	<u>\$1,209,032</u>

The accompanying notes are an integral part of this statement.

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Statement of Activities  
Fiscal Year Ended April 30, 2000

Changes in unrestricted net assets:

Support -

Passed through federal funds:

Lafayette Consolidated Government

\$ 48,141

Other

5,000

Fundraising

1,828

Total support

54,969

Revenue -

Interest

113

Other

9,898

Gain on sale of property

685

Total revenue

10,696

Net assets released from restrictions

25,771

Total support, revenue and net assets released  
from restrictions

91,436

Expenses:

Personnel cost

99,444

Accounting and auditing

5,636

Contractual services

9,387

Depreciation

5,151

Insurance

6,528

Telephone and utilities

8,201

Dues and subscriptions

1,476

Office supplies

11,236

Travel and seminars

9,625

Maintenance

9,553

Rent

1,400

Other

4,487

Interest

643

Fundraising

270

Rehab grant expense

15,762

Total expenses

188,799

Decrease in unrestricted net assets

(97,363)

(continued)



NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Statement of Activities (Continued)  
Fiscal Year Ended April 30, 2000

Changes in temporarily restricted net assets:

Governmental grants	<u>32,000</u>
---------------------	---------------

Revenue -

Gain on sale of property	286
Interest	50,911
Other	<u>35,143</u>
Total revenue	<u>86,340</u>

Expenses -

Provision for loan loss	27,504
Depreciation	2,330
Other	<u>33,500</u>
Total expenses	<u>63,334</u>

Net assets released from restrictions:

Restrictions satisfied by payments	<u>(25,771)</u>
------------------------------------	-----------------

Increase in temporarily restricted net assets	<u>29,235</u>
---	---------------

Decrease in net assets	(68,128)
------------------------	----------

Net assets, beginning	<u>1,179,203</u>
-----------------------	------------------

Net assets, ending	<u><u>\$1,111,075</u></u>
--------------------	---------------------------

The accompanying notes are an integral part of this statement.

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Statement of Cash Flows  
Fiscal Year Ended April 30, 2000

Cash flows from operating activities	
Decrease in net assets	\$ (68,128)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	7,481
Provision for loan loss	27,504
Gain on sale of property	971
(Increase) decrease in operating assets -	
Due from Lafayette Consolidated Government	44,879
Prepaid expenses	123
Other receivables	80
Other assets	(300)
(Decrease) increase in liabilities -	
Accounts payable and accrued liabilities	(6,459)
Other liabilities	14,908
Net cash provided by operating activities	<u>21,059</u>
Cash flows from investing activities:	
Loans issued	(578,831)
Loan payments received	245,751
Purchase land	(40,000)
Land and improvements held for resale	147,379
Purchase of property held for resale	<u>(3,830)</u>
Net cash used by investing activities	<u>(229,531)</u>
Cash flows from financing activities:	
Proceeds from borrowing under note payable obligations	40,000
Principal payments under note payable obligations	(95,580)
Principal payments under capital lease obligations	<u>(758)</u>
Net cash used by financing activities	<u>(56,338)</u>
Net decrease in cash	(264,810)
Cash, beginning	<u>322,806</u>
Cash, ending	<u><u>\$ 57,996</u></u>
Supplemental information:	
Interest expense	<u><u>\$ 1,094</u></u>

The accompanying notes are an integral part of this statement.

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Nature of Activities

Neighborhood Housing Services of Lafayette, Louisiana, Inc., (NHS) was incorporated on July 14, 1982 as a non-profit corporation. NHS's primary function is to provide low interest loans to low and moderate income homeowners in the target area. These loans are made from loan programs established through grants from the United States Department of Housing and Urban Development Community Development Block Grant (CDBG) and H.O.M.E. Investment Partnership Program through the Lafayette Consolidated Government, the main grantee, and grants from the Neighborhood Reinvestment Corporation (NRC).

B. Basis of Presentation

Financial statement presentation follows the recommendations of the American Institute of Certified Public Accountants in its Industry Audit Guide, Audits of Voluntary Health and Welfare Organizations.

C. Land and Improvements Held for Resale

Land and improvements held for resale consists of the purchase price of the land and the costs associated with the construction of homes on the land to be sold to qualifying clients in the future, as well as the interest associated with the financing of the homes' construction.

D. Vacation and Sick Leave

The Corporation's policy is to allow full time employees to carry forward 30 days of unused sick leave and no unused annual leave. Annual and sick leave is computed on a per pay period basis and is not payable upon separation from the Corporation, therefore no accrual is reflected in these statements.

E. Property and Equipment

Fixed assets consist of land, buildings and equipment which are valued at cost, or estimated fair market value in the case of donated property. Fixed assets costing \$200 or more are capitalized. Depreciable assets are depreciated using the straight-line method over the estimated useful lives of the individual assets as follows:

Building	20 years
Furniture and equipment	5-7 years

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Notes to Financial Statements (Continued)

F. Income Tax Status

The Organization qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Corporation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the code.

G. Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Corporation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at April 30, 2000.

H. Undisbursed Loan Proceeds

Some of the loans made by NHS are to enable the homeowner to perform rehabilitation work to their home. On the date that this type of loan is made by NHS, the applicable loan program transfers the loan proceeds to an escrow cash account in the operating program. A contract is entered into with a contractor for the rehabilitation work, and as work is performed, NHS disburses the funds. The amount of loan proceeds transferred to the operating program and undisbursed at year end is reported as a liability.

I. Restricted Assets

Escrow cash accounts are classified as restricted assets on the statement of financial position because they represent escrow payments by borrowers for property taxes and homeowners insurance, collections of principal and interest payments collected on behalf of others and undisbursed loan proceeds. An offsetting liability is reported for the future disbursement of the collected funds and undisbursed advance payments of taxes and insurance.

Additionally, all monies received through the grant programs and repayments of principal amounts of loans receivable are restricted for use in funding additional loans in target areas. The balances in each of the grant programs' cash accounts and the net loans receivable as of the financial statement date are shown as restricted assets in the statement of financial position with an offsetting amount reported as restricted net assets.

Also, monies received from a donor contribution are also classified as restricted due to donor imposed restrictions concerning the uses of the monies.



NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Notes to Financial Statements (Continued)

J. Loans, Allowance for Loan Losses and Interest Income

Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Interest on loans is calculated and accrued by using the simple interest method on monthly balances of the principal amount outstanding.

The allowance for loan losses is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectibility of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Programs

To insure observance of limitations and restrictions placed on the use of resources available to the Corporation, the accounts of the Corporation are maintained in four separate programs. This procedure allows resources for various purposes to be classified for accounting and reporting purposes into programs established according to their nature and purpose. Separate accounts are maintained for each program.

The assets, liabilities, and net assets of Neighborhood Housing Services of Lafayette, Louisiana, Inc. are reported in four self-balancing programs as follows:

Operating Program

The Operating Program includes unrestricted and restricted resources of expendable funds that are available for support of program operations.

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Notes to Financial Statements (Continued)

Community Development Block Grant Revolving Loan Program

The CDBG Revolving Loan Program represents funds received from the United States Department of Housing and Urban Development for the purpose of improving housing stock in the City of Lafayette by means of low and/or no interest loans to residents for housing rehabilitation.

Neighborhood Reinvestment Corporation Revolving Loan Program

The NRC Revolving Loan Program is used to account for funds received from the Neighborhood Reinvestment Corporation for purposes of making loans to homeowners wanting to improve their homes but who cannot be served by local financial institutions and making loans to low or moderate income individuals to facilitate the purchase of affordable housing for occupancy.

H.O.M.E. Revolving Loan Program

The H.O.M.E. Revolving Loan Program is used to account for funds received from the United States Department of Housing and Urban Development through the Lafayette Consolidated Government to provide affordable housing to first-time home buyers in accordance with the provisions and regulations of the Crantston-Gonzales National Affordable Housing Act of 1990.

(2) Loans Receivable

The loans receivable are comprised of loans to homeowners in a specific geographical area who desired to improve their homes or purchase homes, but were unable to obtain financing at a conventional financial institution and are stated at the principal amounts outstanding at the financial statement date. The following summary reflects activities in the loan accounts for the various funds for the fiscal year ended April 30, 2000:

	<u>CDBG</u>	<u>NRC</u>	<u>H.O.M.E.</u>	<u>TOTAL</u>
Balance, beginning of year	\$276,438	\$241,039	\$277,746	\$ 795,223
Loans made during the year	191,439	232,392	155,000	578,831
Payments received during the year	<u>(130,694)</u>	<u>(83,407)</u>	<u>(31,650)</u>	<u>(245,751)</u>
Balance, end of year	337,183	390,024	401,096	1,128,303
Less: Allowance for loan losses	<u>(28,877)</u>	<u>(24,712)</u>	<u>(4,876)</u>	<u>(58,465)</u>
Loans, net	<u>\$308,306</u>	<u>\$365,312</u>	<u>\$396,220</u>	<u>\$1,069,838</u>

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Notes to Financial Statements (Continued)

The following table provides information on the loan portfolio at April 30, 2000:

	<u>CDBG</u>	<u>NRC</u>	<u>H.O.M.E.</u>	<u>TOTAL</u>
Current portion, net	\$ 55,495	\$ 65,756	\$ 71,320	\$ 192,571
Long-term portion, net	<u>252,811</u>	<u>299,556</u>	<u>324,900</u>	<u>877,267</u>
Total loans, net	<u>\$308,306</u>	<u>\$365,312</u>	<u>\$396,220</u>	<u>\$1,069,838</u>

Transactions in the allowance for loan losses for the year were as follows:

	<u>CDBG</u>	<u>NRC</u>	<u>H.O.M.E.</u>	<u>TOTAL</u>
Balance, beginning of year	\$ 14,205	\$ 11,880	\$ 4,876	\$ 30,961
Provision charged to operation	<u>14,672</u>	<u>12,832</u>	<u>-</u>	<u>27,504</u>
Balance, end of year	<u>\$ 28,877</u>	<u>\$ 24,712</u>	<u>\$ 4,876</u>	<u>\$ 58,465</u>

Management is of the opinion that the allowance for loan loss account at April 30, 2000 is sufficient to cover any possible loan losses.

(3) Loans Serviced for Others

NHS and Neighborhood Housing Services of America, Inc. (NHSA) have entered into a purchase service contract agreement whereby NHS is paid the principal amount of the loan balance at the time of the purchase and a monthly commission of .03125% of the outstanding balance of the loan for servicing the loan. Should any of these loans become over 90 days delinquent, NHS must repurchase the delinquent loan or replace it with another acceptable loan or loans. The total balance of such loans at April 30, 2000 is \$402,101.

Since 1988, NHS has sold loans to Neighborhood Housing Services of America, Inc. as follows:

1988	\$ 87,447
1989	130,430
1991	118,883
1992	82,140
1995	98,884
1996	32,492
1998	39,460
2000	<u>99,127</u>
	<u>\$688,863</u>

As of November 21, 2000, Neighborhood Housing Services of Lafayette, Louisiana no longer services loans for Neighborhood Housing Services of America.

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Notes to Financial Statements (Continued)

(4) Land and Improvements Held for Resale

Land and improvements held for resale at April 30, 2000 consists of the following:

Lot 66	\$ 8,440
	<u>          </u>

(5) Building and Equipment

Building and equipment, at April 30, 2000 consists of the following:

Land	\$ 43,645
Building	46,615
Equipment	<u>26,080</u>
	116,340
Less: Accumulated depreciation	<u>(48,909)</u>
	<u>\$ 67,431</u>

(6) Notes Payable

Loan from SCDF Loan & Technical Assistance Fund, Inc. for the purchase of the land on which the NHS building sits, maturing January 1, 2010, bearing interest at 7.0% per anum, secured by a mortgage on the land.

\$ 39,545

Following are maturities of long-term debt:

	<u>Amount</u>
2001	\$ -
2002	2,899
2003	3,108
2004	3,333
2005	3,569
2006-2010	22,136
2011	<u>4,500</u>
	<u>\$ 39,545</u>



NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Notes to Financial Statements (Continued)

(7) Related-party Transaction

The Corporation purchased land at 317 Madeline Avenue, where its office is located. The land purchased is financed by a loan, referred to in Note (6), from SCDF Loan & Technical Assistance Fund, Inc. William Harrison was an original incorporator of SCDF Loan & Technical Assistance Fund, Inc. and is currently holding the position of Executive Director, and is also a board member of NHS. This transaction violates the "Conflict of Interest" provision of the grant agreement entered into with the Lafayette Consolidated Government.

(8) Restricted Cash Summaries For CDBG, NRC, & HOME

	<u>CDBG</u>	<u>NRC</u>	<u>HOME</u>	<u>TOTAL</u>
Balance, beginning of year	\$ 81,727	\$ 97,077	\$ 62,211	\$ 241,015
Additions	181,240	167,023	134,900	483,163
Deletions	<u>(255,220)</u>	<u>(262,924)</u>	<u>(182,858)</u>	<u>(701,002)</u>
Balance, end of year	<u>\$ 7,747</u>	<u>\$ 1,176</u>	<u>\$ 14,253</u>	<u>\$ 23,176</u>

(9) Economic Dependency

The Corporation receives the majority of its revenue from funds provided through grants with the United States Department of Housing and Urban Development. The grant amounts are appropriated each year by the federal government. If significant budgets cuts are made at the federal level, the amounts of the funds Neighborhood Housing Services of Lafayette, Louisiana, Inc. receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Corporation will receive in the next fiscal year due to budget cuts.

(10) Going Concern

The Corporation's financial statements have been presented on the basis that it is a going concern. The Corporation has not complied with certain contractual obligations with funding agencies. These funding agencies are considering not funding the Corporation in the future. In addition, the Corporation experienced a decrease in net assets in the amount of \$62,341 for the fiscal year ended April 30, 2000. These factors create an uncertainty about the Organization's ability to continue as a going concern.

Management is acknowledging that a concerted effort will be made to meet all future contractual obligations. The ability of the Corporation to continue as a going concern is dependent on the approval from funding agencies.

## **SUPPLEMENTARY INFORMATION**

**COMPLIANCE  
AND  
INTERNAL CONTROL**

# KOLDER, CHAMPAGNE, SLAVEN & RAINEY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA\*  
Russell F. Champagne, CPA\*  
Victor R. Slaven, CPA\*  
Chris Rainey, CPA\*  
Conrad O. Chapman, CPA\*  
P. Troy Courville, CPA\*

P.O. Box 82329  
Lafayette, LA 70598

Phone (337) 232-4141  
Fax (337) 232-8660

WEB SITE:  
WWW.KCSRPCAS.COM

Allen J. LaBry, CPA  
Penny Angelle Scruggins, CPA  
Mary T. Thibodeaux, CPA  
Gerald A. Thibodeaux, Jr., CPA  
Kelly M. Doucet, CPA  
Kenneth J. Rachal, CPA

\* A Professional Accounting Corporation

MEMBER OF:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

## REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors  
Neighborhood Housing Services  
of Lafayette, Louisiana, Inc.  
Lafayette, Louisiana

We have audited the financial statements of Neighborhood Housing Services of Lafayette, Louisiana, Inc. (a non-profit organization), as of and for the year ended April 30, 2000, and have issued our report thereon dated March 6, 2001. We have conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Neighborhood Housing Services of Lafayette, Louisiana, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standard which are described in the accompanying schedule of current and prior year audit findings and corrective action plan as items 00-5(C) through 00-9(C).

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Neighborhood Housing Services of Lafayette, Louisiana, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Neighborhood Housing Services of Lafayette, Louisiana, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of current and prior year audit findings and corrective action plan as items 00-1(IC) through 00-4(IC).

234 Rue Beauregard  
Lafayette, LA 70508  
Phone (337) 232-4141  
Fax (337) 232-8660

113 East Bridge Street  
Breaux Bridge, LA 70517  
Phone (337) 332-4020  
Fax (337) 332-2867

133 East Waddil  
Marksville, LA 71351  
Phone (318) 253-9252  
Fax (318) 253-8681

1234 David Drive, Suite 105  
Morgan City, LA 70380  
Phone (985) 384-2020  
Fax (985) 384-3020

408 W. Cotton Street  
Ville Platte, LA 70586  
Phone (337) 363-2792  
Fax (337) 363-3049

332 W. Sixth Avenue  
Oberlin, LA 70655  
Phone (337) 639-4737  
Fax (337) 639-4568

200 South Main Street  
Abbeville, LA 70511  
Phone (337) 893-7944  
Fax (337) 893-7946

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described in the summary schedule of current and prior year audit findings and corrective action plan as items 00-1(IC) through 00-4(IC) are material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

***Kolder, Champagne, Slaven & Rainey, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
March 6 , 2001



NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Summary Schedule of Current and Prior Year Audit Findings  
and Corrective Action Plan  
For the Year Ended April 30, 2000

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Date of Completion
CURRENT YEAR (4/30/00) --						
<u>Internal Control (IC):</u>						
00-1(IC)	4/30/2000	Controls at the Board level were not established to ensure that contractual obligations were being met which resulted in NHS not complying with grant and contractual provisions.	N/A	No response received from management.	Russell Castille, President	
00-2(IC)	4/30/2000	Monthly financial reports comparing actual results with budgeted amounts were not being prepared and/or reviewed which resulted in NHS operating at a deficit.	N/A	No response received from management.	Russell Castille, President	
00-3(IC)	4/30/2000	Detailed premises and equipment ledgers are not being maintained and reconciled to the general ledger. Physical inventories are not being performed. As a result of these inadequacies, NHS's property is not being properly safeguarded.	N/A	No response received from management.	Russell Castille, President	
00-4(IC)	4/30/2000	Regarding loans: (a) Management was not receiving timely, summarized loan activity, and delinquency information to identify problem loans.	N/A	No response received from management.	Russell Castille, President	

(Continued)

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Summary Schedule of Current and Prior Year Audit Findings  
and Corrective Action Plan (Continued)  
For the Year Ended April 30, 2000

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Date of Completion
		(b) An evaluation of the adequacy of the allowance for loan losses was not documented and/or not prepared.		No response received from management.	Russell Castille, President	
		(c) All required loan documentation was not contained in each loan file.		No response received from management.	Russell Castille, President	
		As a result of the above deficiencies, the quality of the loan portfolio has deteriorated.				
<u>Compliance (C):</u>						
00-5(C)	4/30/2000	Grant agreements with the Lafayette Consolidated Government were violated as follows:	N/A			
		(a) A qualified management consultant was not retained for technical assistance in the areas of internal control, federal program compliance, and financial counseling.		No response received from management.	Russell Castille, President	
		(b) Thirty-one (31) low interest loans were not provided to clients during the 1999/2000 program year.		No response received from management.	Russell Castille, President	
		(c) A Statement of Work was not submitted to the Director of Community Development for the year ended 4/30/00.		No response received from management.	Russell Castille, President	

(Continued)

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Summary Schedule of Current and Prior Year Audit Findings  
and Corrective Action Plan (Continued)  
For the Year Ended April 30, 2000

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Date of Completion</u>
		(d) A Financial Status Report was not submitted to the Director of Community Development for the quarter ended 4/30/00.		No response received from management.	Russell Castille, President	
		(e) A Productivity Report was not submitted to the Director of Community Development for the quarter ended 4/30/00.		No response received from management.	Russell Castille, President	
		(f) Real Property Records were not submitted to the Director of Community Development for the quarter ended 4/30/00.		No response received from management.	Russell Castille, President	
		(g) A Performance Report was not submitted to the Director of Community Development for the year ended 4/30/00.		No response received from management.	Russell Castille, President	
		(h) The Conflict of Interest provision was violated when a former Board President served as Interim Executive Director, and was compensated, before a year after his term as President had expired.		Mr. Fred Chatman was the only person hired for that position [Executive Director] by the Board of Directors of NHS and later the offer for employment was canceled for good cause. Junius Andres was never hired as Executive Director but served as Interim Director with the blessing of the Lafayette Consolidated Government, who promised to ask HUD to waive his ineligibility in order that he might apply for the permanent position as Executive Director. From the time this position of Executive Director became available, the Board of Directors remained interested in filling the position through advertisement.	Russell Castille, President	

(Continued)



NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Summary Schedule of Current and Prior Year Audit Findings  
and Corrective Action Plan (Continued)  
For the Year Ended April 30, 2000

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Date of Completion
		(i) The Conflict of Interest provision was violated by financing a land purchase from SCDF Loan & Technical Assistance Fund, Inc. William Harrison was an original incorporator of SCDF, is currently the Executive Director of SCDF, and is also a board member of NHS.		I [Mr. Harrison] did not participate in the vote, and made a full disclosure of my position as Board Member and as Lender. When a full disclosure is made, there does not exist a Conflict of Interest according to the Internal Revenue Service code. For the record, two Board Members, Glen Richard and Rhoda Cormier were asked to approach their Banks for the loan to purchase the land where NHS office is located. NHS own the building and not the land. Once this land was turned-over to a Realtor, it was in NHS's best interest to attempt to purchase the land or relocated at a approximate cost of \$8,000.	Russell Castille, President	
00-6(C)	4/30/00	The audit report was not submitted to the Legislative Auditor in accordance with LSA-RS 24:514, which requires the audit report to be filed within six months after the close of the fiscal year.	N/A	No response received from management.	Russell Castille, President	
00-7(C)	4/30/00	Monies are being borrowed from restricted sources to pay operating expenses and the likely- hood of repayment is remote.	N/A	No response received from management.	Russell Castille, President	
00-8(C)	4/30/00	The annual tax return (Form 990) for the fiscal year ended April 30, 2000 has not been filed and/or properly extended.	N/A	No response received from management.	Russell Castille, President	

(Continued)

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Summary Schedule of Current and Prior Year Audit Findings  
and Corrective Action Plan (Continued)  
For the Year Ended April 30, 2000

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Date of Completion
00-9(C)	4/30/2000	Loan payments were not being remitted to the funding agencies in accordance with their respective agreements with NHS.	N/A		Russell Castille, President	
PRIOR YEAR (4/30/99) --						
<u>Internal Control (IC):</u>						
99-1(IC)	Unknown	Several of the cash account bank reconciliations did not reconcile to the general ledger. There were also instances noted where checks voided by NHS were never provided to the outside accountant, therefore, were never posted by the outside accountant nor recorded on the general ledger, which is generated by the outside accountant.	Yes	Care should be taken to insure all checks voided are provided to the outside accountant to insure all transactions are included on the general ledger. Bank reconciliation balances prepared by NHS should be compared to the related general ledger cash accounts.	Russell Castille, President	
99-2(IC)	Unknown	The loan subsidiary ledger does not agree to the general ledger. This is due to errors in posting principal and interest being corrected to the subsidiary and not the general ledger.	No	Anytime notations of errors affecting loan balances are posted to the cash receipts journal, the correction made should also be made to the general ledger.	Russell Castille, President	4/30/2001

Compliance (C):

There were no prior year compliance findings reported.

**OTHER SUPPLEMENTARY INFORMATION**

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Combining Statement of Financial Position  
April 30, 2000

	<u>Operating Fund</u>	<u>CDBG Revolving Loan Fund</u>	<u>NRC Revolving Loan Fund</u>	<u>H.O.M.E. Revolving Loan Fund</u>	<u>Eliminations of Interfund Balances</u>	<u>Totals</u>
<b>ASSETS</b>						
Current assets:						
Prepaid expenses	\$ 2,108	\$ -	\$ -	\$ -	\$ -	\$ 2,108
Restricted:						
Cash	37,709	7,747	1,176	14,253	-	60,885
Loans receivable, net	-	55,495	65,756	71,320	-	192,571
Due from other funds	1,066	-	1,232	2,946	(5,244)	-
Other assets	-	-	330	-	-	330
Land and improvements held for resale	-	-	8,440	-	-	8,440
Total restricted current assets	38,775	63,242	76,934	88,519	(5,244)	262,226
Total current assets	40,883	63,242	76,934	88,519	(5,244)	264,334
Noncurrent assets:						
Equipment, net of accumulated depreciation	7,812	-	-	-	-	7,812
Land	43,645	-	-	-	-	43,645
Total unrestricted noncurrent assets	51,457	-	-	-	-	51,457
Restricted:						
Loans receivable, net	-	252,811	299,556	324,900	-	877,267
Building, net of accumulated depreciation	-	15,974	-	-	-	15,974
Total noncurrent restricted assets	-	268,785	299,556	324,900	-	893,241
Total noncurrent assets	51,457	268,785	299,556	324,900	-	944,698
Total assets	\$ 92,340	\$ 332,027	\$ 376,490	\$ 413,419	\$ (5,244)	\$ 1,209,032

	Operating Fund	CDBG Revolving Loan Fund	NRC Revolving Loan Fund	H.O.M.E. Revolving Loan Fund	Eliminations of Interfund Balances	Totals
<b>LIABILITIES AND NET ASSETS</b>						
Current liabilities:						
Accounts payable	\$ 12,225	\$ -	\$ -	\$ -	\$ -	\$ 12,225
Other liabilities	4	-	-	-	-	4
Payable from unrestricted assets	<u>12,229</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,229</u>
Payable from restricted assets:						
Cash overdraft	2,889	-	-	-	-	2,889
Due to other funds	-	5,244	-	-	(5,244)	-
Tax and insurance payable	763	-	-	-	-	763
Loan collections due to others	3,825	-	-	-	-	3,825
Undisbursed loan proceeds	37,164	-	-	-	-	37,164
Other liabilities	-	38	1,504	-	-	1,542
Payable from restricted assets	<u>44,641</u>	<u>5,282</u>	<u>1,504</u>	<u>-</u>	<u>(5,244)</u>	<u>46,183</u>
Total current liabilities	<u>56,870</u>	<u>5,282</u>	<u>1,504</u>	<u>-</u>	<u>(5,244)</u>	<u>58,412</u>
Long-term liabilities (payable from unrestricted assets):						
Notes payable	<u>39,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,545</u>
Total liabilities	<u>96,415</u>	<u>5,282</u>	<u>1,504</u>	<u>-</u>	<u>(5,244)</u>	<u>97,957</u>
Net assets (deficit):						
Restricted	<u>(4,075)</u>	<u>326,745</u>	<u>374,986</u>	<u>413,419</u>	<u>-</u>	<u>1,111,075</u>
Total net assets	<u>(4,075)</u>	<u>326,745</u>	<u>374,986</u>	<u>413,419</u>	<u>-</u>	<u>1,111,075</u>
Total liabilities and net assets	<u>\$ 92,340</u>	<u>\$ 332,027</u>	<u>\$ 376,490</u>	<u>\$ 413,419</u>	<u>\$ (5,244)</u>	<u>\$ 1,209,032</u>

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Combining Statement of Activities  
April 30, 2000

	Operating Fund	CDBG Revolving Loan Fund	NRC Revolving Loan Fund	H.O.M.E. Revolving Loan Fund	Totals
Changes in unrestricted net assets:					
Support -					
Passed through federal funds:					
Lafayette Consolidated Government	\$ 48,141	\$ -	\$ -	\$ -	\$ 48,141
Other	5,000	-	-	-	5,000
Fundraising	1,828	-	-	-	1,828
Total support	<u>54,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,969</u>
Revenue -					
Interest	113	-	-	-	113
Other	9,898	-	-	-	9,898
Gain on sale of property	685	-	-	-	685
Total revenue	<u>10,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,696</u>
Net assets released from restrictions	<u>25,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,771</u>
Total support, revenue and net assets released from restrictions	<u>91,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,436</u>
Expenses:					
Personnel cost	99,444	-	-	-	99,444
Accounting and auditing	5,636	-	-	-	5,636
Contractual services	9,387	-	-	-	9,387
Depreciation	5,151	-	-	-	5,151
Insurance	6,528	-	-	-	6,528
Telephone and utilities	8,201	-	-	-	8,201
Dues and subscriptions	1,476	-	-	-	1,476
Office supplies	11,236	-	-	-	11,236
Travel and seminars	9,625	-	-	-	9,625
Maintenance	9,553	-	-	-	9,553
Rent	1,400	-	-	-	1,400
Other	4,487	-	-	-	4,487
Interest	643	-	-	-	643
Fundraising	270	-	-	-	270
Rehab grant expense	15,762	-	-	-	15,762
Total expenses	<u>188,799</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,799</u>
Decrease in unrestricted net assets	<u>(97,363)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(97,363)</u>

(continued)

NEIGHBORHOOD HOUSING SERVICES  
OF LAFAYETTE, LOUISIANA, INC.

Combining Statement of Activities (Continued)  
April 30, 2000

	<u>Operating Fund</u>	<u>CDBG Revolving Loan Fund</u>	<u>NRC Revolving Loan Fund</u>	<u>H.O.M.E. Revolving Loan Fund</u>	<u>Totals</u>
Changes in temporarily restricted net assets:					
Governmental grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,000</u>	<u>32,000</u>
Revenue -					
Gain on sale of property	-	-	115	171	286
Interest	-	14,919	14,829	21,163	50,911
Other	-	1,111	33,136	896	35,143
Total revenue	<u>-</u>	<u>16,030</u>	<u>48,080</u>	<u>22,230</u>	<u>86,340</u>
Expenses -					
Bad debt	-	14,672	12,832	-	27,504
Depreciation	-	2,330	-	-	2,330
Other	-	32,550	950	-	33,500
Total expenses	<u>-</u>	<u>49,552</u>	<u>13,782</u>	<u>-</u>	<u>63,334</u>
Net assets released from restrictions:					
Restrictions satisfied by payments	<u>-</u>	<u>(3,355)</u>	<u>(18,739)</u>	<u>(3,677)</u>	<u>(25,771)</u>
Increase in temporarily restricted net assets	<u>-</u>	<u>(36,877)</u>	<u>15,559</u>	<u>50,553</u>	<u>29,235</u>
Increase (decrease) in net assets	(97,363)	(36,877)	15,559	50,553	(68,128)
Net assets, beginning	<u>93,288</u>	<u>363,622</u>	<u>359,427</u>	<u>362,866</u>	<u>1,179,203</u>
Net assets, ending	<u>\$ (4,075)</u>	<u>\$ 326,745</u>	<u>\$ 374,986</u>	<u>\$ 413,419</u>	<u>\$ 1,111,075</u>